



Department of Defense INSTRUCTION

NUMBER 1330.21

February 4, 2003

PDUSD(P&R)

SUBJECT: Armed Services Exchange Regulations (ASER)

- References: (a) [DoD Directive 1330.9](#), "Armed Services Exchange Policy," November 27, 2002
- (b) [DoD Directive 1125.3](#), "Vending Facility Program for the Blind on Federal Property," April 7, 1978
- (c) [DoD Directive 1015.6](#), "Funding of Morale, Welfare and Recreation Programs," August 3, 1984
- (d) [DoD Directive 1401.3](#), "Reprisal Protection for Nonappropriated Fund Instrumentality Employees/Applicants," October 16, 2001
- (e) through (w), see enclosure 1

1. PURPOSE

This Instruction implements reference (a), and prescribes procedures, and assigns responsibilities for operating Armed Services exchanges.

2. APPLICABILITY AND SCOPE

This Instruction applies to:

2.1. The Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as "the DoD Components").

2.2. The Commissioned Corps of the Public Health Service(PHS) and the National Oceanic and Atmospheric Administration (NOAA) under agreements with the Departments of Health and Human Services, and Commerce. The term "Armed Services," as used herein, refers to the Army, the Navy, the Air Force, the Marine Corps, and the Coast Guard.

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

4. POLICY

DoD policy for Armed Service Exchanges is contained in reference (a).

5. PROCEDURES

5.1. Armed Service Exchange Programs. Other Federal Departments, Agencies, and instrumentalities shall obtain, in advance, written right of first refusal from the Armed Services exchange before commencing to operate or contract on military installations and Government-owned or -leased housing areas, for the programs designated for the Armed Services exchanges listed at enclosure 3. Resale activities of blind vendors are governed by DoD Directive 1125.3 (reference (b)).

5.2. Merchandise Restrictions. The Armed Services exchanges are authorized to sell items of merchandise and provide retail services to provide a well-rounded program, except as restricted in enclosure 4. Merchandise restrictions apply to the direct sale, including by special order or catalog and indirect or concession activities.

5.3. Alcoholic Beverages Minimum Drinking Age. The Secretary concerned shall establish and enforce as the minimum age for consumption and purchase of alcoholic beverages on a military installation located in a State, the minimum drinking age established by the law of that State. In the case of a military installation located in more than one State, or in one State, but within 50 miles of another State, Mexico or Canada, the Secretary concerned may establish and enforce as the minimum drinking age on that military installation the lowest applicable age. The Armed Service exchanges shall follow the minimum drinking age requirements for each military installation. Enclosure 5 establishes procedures for the sale of package alcoholic beverages.

5.4. Sale of Tobacco

5.4.1. Military retail outlets shall not enter into any new merchandise display or promotion agreements, or exercise any options in existing agreements, that provide for any increase in total tobacco shelf-space. This provision does not prohibit couponing, or incentives that allocate tobacco shelf-space among brands so long as total tobacco shelf-space is not increased. Self-service promotional displays shall not be used outside of the tobacco department. Incentives to increase the total number of tobacco displays shall not be accepted, except to reallocate existing tobacco shelf-space among tobacco brands, provided that the total amount of tobacco shelf-space is not increased.

5.4.2. Tobacco (including smokeless tobacco) shall not be sold to anyone under 18 years of age. A customer's ID shall be checked if the buyer's age is not known to be over 18, and appears to be under 27.

5.4.3. Armed Service exchanges shall endeavor to display tobacco cessation products in areas that provide visibility and opportunity to customers who desire to change their tobacco habits.

5.5. Authorized Patrons. Only authorized patrons are entitled to exchange privileges as prescribed in enclosure 6, except when prohibited by treaty or other international agreements in foreign countries. Patrons shall be identified pursuant to enclosure 7.

5.5.1. Members, who are separated from active duty during the period beginning on October 1, 1990, and ending on December 31, 2001, continue to have exchange privileges during a 2-year period, beginning on the date of the separation, in the same manner as a member on active duty. This applies to those involuntarily separated, separated under the Transition Assistance Management Program (TAMP), Special Separation Benefit Program (SSB), and Voluntary Separation Incentive (VSI) Program.

5.5.2. Sales of State Tax-Free Tobacco Products and Alcoholic Beverages. State tax-free tobacco products and alcoholic beverages shall be sold only to those individuals, organizations, and activities entitled to unlimited exchange privileges. Common sense must be used in determining that the quantities of State tax-free tobacco products and alcoholic beverages sold are reasonable and for the use of authorized exchange patrons.

5.5.3. Sales to Appropriated Fund (APF) Activities Authorized. Exchanges are authorized to supply items within their nominal stock assortment to components, agencies, instrumentalities and other activities or units within the Department of Defense and to accept appropriated funds in payment to include the Government-wide purchase card as normal sales receipts. Such sales will be to the advantage of the exchange and purchasing activity.

5.5.4. Secretaries of a Military Department may grant deviations with authorized patron privileges for individuals or classes/groups of persons at specific installations. Delegation of this authority is prohibited. Deviations shall be granted, based on alleviating individual hardships. Deviations granted by the Secretaries of the Military Departments shall be reviewed annually as of June 30 and a report submitted to the Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD(P&R)) specifying the exceptions and justifications (Report Control Symbol DD-P&R(A)1096).

5.6. Purchase Restrictions. Not later than August 1st of each year, each Commander of a Combatant Command, through the Chairman, Joint Chiefs of Staff, shall submit to the PDUSD(P&R) an annual report describing the host-nation laws and the treaty obligations of the United States, and the conditions within host nations, that necessitate the use of quantity or other restrictions on purchases in commissary and exchange stores located outside the United States.

5.7. Best Business Practices. Exchange programs shall use best business practices to fulfill customer needs, while maintaining a readiness capability to support wartime missions and to meet quality, fiscal, health, and safety standards. The exchange service shall ensure short- and long-term plans are established and maintained.

5.8. Methods of Operation - Direct or by Concession. Unless addressed specifically by contract, a contractor or concessionaire of exchange services who sells or provides authorized exchange service products or services is entitled to the same level of APF support authorized for the applicable exchange service program and the APF shall be used strictly on the exchange service program.

5.9. Exchange Operations on Closed Installations. Exchange operations on closed installations shall follow procedures at enclosure 8.

5.10. Resource Management. Exchange program resource elements that are authorized APF support are found at enclosure 9 and in DoD Directive 1015.6 (reference (c)).

5.11. Reporting of Violations. The Department of Defense encourages the reporting of suspected violations of rules, regulations, or law at the lowest organization level possible. However, reports may be made to senior management, organizational inspectors general, or to the DoD Hotline. Commanders are responsible for prompt detection, proper investigation, and appropriate corrective action. Individuals reporting NAF violations are protected from reprisal. DoD Directive 1401.3 (reference (d)) is applicable to NAF employees and employers and contains protections and responsibilities in NAF whistleblower cases in accordance with DoD 7000.14-R (reference (e)).

5.12. Penalties for Violations. Commanders shall take appropriate action against personnel responsible for violations of rules, regulations or law. In cases of a serious criminal infraction, commanders shall refer the matter to the appropriate Defense criminal investigative organization for investigation and potential referral to judicial authorities. Under 10 U.S.C. Section 2783b (reference (f)), penalties for substantial violations of regulations governing the management and use of NAF by civilian NAF employees shall be the same as provided by law for misuse of appropriations by civilian employees of the Department of Defense paid from APF. Violations by personnel subject to the Uniform Code of Military Justice (UCMJ) shall be subject to appropriate disciplinary or administrative action.

5.13. Credit Programs. A credit program will be administered in accordance with established business practices and industry standards. Credit limits will be adjusted periodically using standard industry practices. The exchange services shall include as part of their annual year-end certified financial audit, an overview report that comments on the financial status of the exchange services' credit program. The exchange services shall also maintain a *Standard and Poor's* (S&P) rating. The exchange services shall initiate credit checks with civilian credit bureaus on all new accounts and shall provide both good and bad credit reports to the credit bureaus.

5.13.1. The Secretaries of the Military Departments or their designees may authorize the types of merchandise or services for sale on a deferred payment basis for which no finance or interest is charged within the following parameters:

5.13.1.1. Articles necessary for the health, comfort, or convenience of recruits, officer candidates, re-enlistees, prisoners, or detained personnel. Payment shall be made within 30 days.

5.13.1.2. **Military Uniforms and Accessories.** The liability of any individual shall not exceed the initial cost of the uniform requirement, to be paid in not more than 12 monthly installments.

5.13.1.3. **Articles or services delivered or provided to private on-base quarters, such as milk or bread deliveries.** Billing and payment shall be monthly.

5.13.1.4. **Sales to other authorized Government Agencies or instrumentalities.** Billing and payment to be made on normal commercial terms of trade.

5.13.1.5. **The Secretaries of the Military Departments or their designees** may authorize other types of merchandise or services for sale for which no finance or interest is charged for a period not to exceed 6 months.

5.13.2. **Exchanges** will accept the Government-wide purchase card in activities where personal credit cards or other purchase cards are accommodated. Exchanges will use the Government-wide purchase card or other commercial credit cards for goods and services procured with nonappropriated funds valued at or below \$2,500 when appropriate and cost effective.

5.14. **Federal Retailers Excise Tax.** The Federal Retailers Excise Tax shall be included in the sales price of all merchandise subject to this tax.

5.15. **Pricing of Smoking Cessation Products.** The Military Departments shall support pricing of smoking cessation products below the local competitive price.

5.16. **Merchandise Support.** Exchange merchandise categories for tobacco products may be consigned and sold in commissary stores as exchange items.

5.17. **Joint Construction.** Whenever practicable, new commissaries and exchanges will be built as joint projects and collocated.

5.18. **Advertising.** Armed Services exchange advertising shall conform to enclosure 10.

6. **RESPONSIBILITIES**

6.1. **The Principal Deputy Under Secretary of Defense for Personnel and Readiness, under the Under Secretary of Defense for Personnel and Readiness, shall:**

6.1.1. Serve as the principal point of contact for all Armed Service exchange policy matters within the Department of Defense.

6.1.2. Develop uniform DoD policy and guidance to ensure proper administration and management of Armed Service exchange programs and monitor compliance thereof.

6.2. The Secretaries of the Military Departments or their designees shall comply with this Instruction.

7. INFORMATION REQUIREMENTS

7.1. The annual "Military Exchange Deviation Report" required by subparagraph 5.5.4. has been assigned Report Control Symbol DD-P&R(A)1096 in accordance with DoD 8910.1-M (reference (g)).

7.2. The annual "Overseas Commissaries and Exchange Stores-Access and Purchase Restrictions Report" referred to at paragraph 5.6. has been assigned Report Control Symbol DD-P&R(A&AR)2150 in accordance with reference (g).

7.3. Reporting of violations described in paragraph 5.9. are exempt from licensing in accordance with paragraph C4.4.2. of reference (g).

7.4. Inclusion of comments on the exchange services' credit programs referred to in paragraph 5.10. is part of the "Morale, Welfare and Recreation (MWR) Activities Financial Management Report." This annual report has been assigned Report Control Symbol DD-P&R(A)1344 in accordance with reference (g).

7.5. The annual "DoD Commissary Operations Report" referred to in enclosure 8, section E8.6., has been assigned Report Control Symbol DD-P&R(A)1187 in accordance with reference (g).

8. EFFECTIVE DATE.

This Instruction is effective immediately.



Charles S. Abell
Principal Deputy Under Secretary of Defense
for Personnel and Readiness

Enclosures - 10

- E1. References, continued
- E2. Definitions
- E3. Exchange Resale Activities
- E4. Merchandise Restrictions
- E5. Package Stores
- E6. Authorized Patrons
- E7. Identification of Authorized Patrons
- E8. Exchange Operations on Closed Installations
- E9. Funding
- E10. Advertising Policy

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD 7000.14-R, "DoD Financial Management Regulation," Volume 13, "Non-appropriated Funds Policy and Procedures," August 2002
- (f) Section 2783b of title 10, United States Code
- (g) [DoD 8910.1-M](#), "DoD Procedures for Management of Information Requirements," June 30, 1998
- (h) [DoD Directive 1015.2](#), "Military Morale, Welfare and Recreation (MWR)," June 14, 1995
- (i) Section 12301-12302 of title 10, United States Code
- (j) Title 38, United States Code, "Veterans' Benefits"
- (k) Title 33, United States Code, "Navigation and Navigable Waters"
- (l) [DoD Instruction 4105.70](#), "Sale or Rental of Sexually Explicit Material on DoD Property," June 29, 1998
- (m) [DoD Instruction 7700.18](#), "Nonappropriated and Privately Funded Construction Projects - Review and Reporting Procedures," May 12, 1983
- (n) DoD Directive 1010.4, "Drug and Alcohol Abuse by DoD Personnel," September 3, 1987
- (o) Alcoholic Beverage Labeling Act of 1988, section 213 et seq. of title 27, United States Code
- (p) Section 2489 of title 10, United States Code
- (q) Section 2482 of title 10, United States Code
- (r) Section 1059 of title 10, United States Code
- (s) Sections 857-4 and 857-5 of title 33, United States Code
- (t) [DoD Instruction 1000.13](#), "Identification (ID) Cards for Members of the Uniformed Services, Their Dependents, and Other Eligible Individuals," December 5, 1997
- (u) [DoD Directive 1330.17](#), "Military Commissaries," March 13, 1987
- (v) [DoD Instruction 7600.6](#), "Audit of Nonappropriated Funds and Related Activities," April 16, 1987
- (w) [DoD Instruction 5120.4](#), "Department of Defense Newspapers, Magazines, and Civilian Enterprise Publications," June 16, 1997

E2. ENCLOSURE 2

DEFINITIONS

E2.1. TERMS

E2.1.1. Alcoholic Beverages. Beverages including wines, malt beverages and distilled spirits.

E2.1.2. Appropriated Funds (APF). Funds appropriated by the Congress.

E2.1.3. Authorized Family Member. An individual whose relationship to the sponsor leads to entitlement, to benefits, or to privileges administered by the Uniformed Services including:

E2.1.3.1. Dependent Children 21 or Over. Children who are 21 years of age or older, unmarried, and dependent for over half of their support from the sponsor, including adopted children, stepchildren, and wards, who are:

E2.1.3.1.1. Incapable of self-support because of a mental or physical handicap; or

E2.1.3.1.2. Have not passed their 23rd birthday and are enrolled in a full-time course of study at an institute of higher learning.

E2.1.3.2. Dependent Children Under 21. Children under 21 years of age and unmarried, including pre-adoptive children, adopted children, stepchildren, foster children, and wards dependent on the sponsor for half of their support.

E2.1.3.3. Lawful Spouse. If separated, a spouse retains privileges until a final divorce decree is issued.

E2.1.3.4. Orphans. Surviving unmarried children of a deceased Uniformed Service member or retired member of a Uniformed Service, who are either adopted or natural born and under the age of 21, or who are over 21 and incapable of self-support; or under 23 and enrolled in a full-time course of study. The surviving children must have been dependents under the definitions in paragraph E2.1.3. at the time of the death of the parent or parents.

E2.1.3.5. Parents. Father, mother, stepparent, parent by adoption, and parents-in-law, who depend upon the sponsor for over half of their support. Included is

a surviving dependent parent of a member of the Armed Forces who dies while on extended active duty.

E2.1.3.6. Surviving Family Member. Children or parents of a sponsor who are dependent on the surviving spouse for over half their support.

E2.1.3.7. Surviving Spouse. A widow or widower of a sponsor who has not remarried or who, if remarried, has reverted through divorce, annulment, or the demise of the spouse, to an unmarried status.

E2.1.3.8. Unmarried Children. Unmarried children including pre-adoptive children, adopted children, stepchildren, foster children, and wards not having passed their 23rd birthday and are enrolled in a full-time course of study at an institute of higher learning and dependent on the sponsor for over half of their support.

E2.1.3.9. Unremarried Former Spouse. An unremarried former spouse of a member or former member of the Uniformed Services, who (on the date of the final decree of divorce, dissolution, or annulment) had been married to the member or former member for a period of at least 20 years during which period the member or former member performed at least 20 years of service creditable for retired or retainer pay, or equivalent pay.

E2.1.4. CONUS. The 48 contiguous States and the District of Columbia.

E2.1.5. Exchange Employees. Civilian employees of the military exchange systems.

E2.1.6. Executive Control and Essential Command Supervision (ECECS). Those managerial staff functions and positions located above the direct program managerial and operational level of individual MWR programs that support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs. ECECS consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.

E2.1.7. Military Departments. The Department of the Army, the Department of the Navy, and the Department of the Air Force.

E2.1.8. Military Morale, Welfare, and Recreation (MWR) Programs. Those military programs defined in DoD Directive 1015.2 (reference (h)) located on DoD installations or on property controlled (by lease or other means) by a Military Department or furnished by a DoD contractor, that provide for the mission sustainment, community support, and revenue-generating programs for authorized personnel.

E2.1.9. Military Services. The U.S. Army, the U.S. Navy, the U.S. Air Force, the U.S. Marine Corps, and the U.S. Coast Guard.

E2.1.10. Nonappropriated Funds (NAF). Monies derived from sources other than congressional appropriations and commissary surcharge funds, primarily from the sale of goods and services to DoD military and civilian personnel and their family members that are used to support or provide MWR programs. Separate and apart from funds that are recorded on the books of the Treasurer or the United States, NAFs are Government funds used for the collective benefit of those who generate them.

E2.1.11. Nonappropriated Fund Instrumentality (NAFI). A DoD organization that is supported, in whole or in part, by NAF. It acts in its own name to provide or assist Secretaries of the Military Departments in providing programs for military personnel and authorized civilians. It is not incorporated under the law of any State or the District of Columbia, but has the legal status of an instrumentality of the United States. As a fiscal entity, it maintains custody of and control over its NAF and may also administer appropriated resources to carry out its purposes.

E2.1.12. Official DoD Web Site. A DoD web site that is developed and maintained by a command for which the DoD Component (a subordinate organization or an individual) exercises editorial control over content. The content of official DoD web sites is of an official nature that may be endorsed as the official position of the DoD Component. Content may include official news releases, installation history, command position papers, etc. Official DoD Web sites are prohibited from displaying sponsorships or commercial advertisements.

E2.1.13. Overseas. Areas other than the 50 United States (48 contiguous, plus Alaska and Hawaii, and the District of Columbia).

E2.1.14. Reserve Components. The Army National Guard and the Air National Guard of the United States, the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, the Coast Guard Reserve, and Reserve Officers of the Public Health Service. The Ready Reserve is comprised of military members of the Reserve and National Guard, organized in units, or as individuals, liable for recall to active duty to augment the active components in time of war or national emergency pursuant to section 12301(a) and 12302 of title 10 U.S.C. (reference (i)). The Ready Reserve consists of three Reserve components subcategories: the Selected Reserve, the Individual Ready Reserve (IRR), and the Inactive national Guard (ING).

E2.1.15. Retired Personnel. All personnel carried on the official retired lists (Active and Reserve) or the Uniformed Services, who are retired with pay, granted retirement pay for physical disability, or entitled to retirement pay whether or not such pay is waived, or pending due to age requirement.

E2.1.15.1. Members of the Retired Reserve who are eligible for retired pay at age 60, but have not yet reached age 60.

E2.1.15.2. Personnel of the emergency officers' retired list of the Army, the Navy, the Air Force, and the Marine Corps who were retired under title 38 of U.S.C., "Veterans' Benefits" (reference (j)).

E2.1.15.3. Officers, crews of vessels, light keepers, and depot keepers of the former Lighthouse Service who retired pursuant to title 33 U.S.C (reference (k)).

E2.1.15.4. Retired noncommissioned ships' officers and crewmembers of the National Oceanic and Atmospheric Administration (NOAA) and its predecessors, who either were on active duty as a vessel employee on July 19, 1963, and whose employment as such vessel employee was continuous from that date until the date of retirement, or who had retired as a vessel employee on or before July 19, 1963.

E2.1.16. Secretary. The Secretary, the Under Secretary, or the Assistant Secretary of Defense or any Military Department.

E2.1.17. Sponsor. An individual who is entitled to exchange benefits and privileges and from whom others become entitled.

E2.1.18. Uniformed Personnel. Members of the Armed Forces, the Coast Guard; cadets and midshipmen of the Armed Forces Service Academies, the Coast Guard Academy, NOAA and its predecessors, Commissioned Officers of the Public Health Service, and members of the Reserve components.

E2.1.19. Uniformed Services. The Armed Forces, the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the Public Health Service.

E2.1.20. United States. The 50 United States and the District of Columbia.

E2.1.21. Unofficial DoD Web Site. A DoD web site that is developed and maintained with NAF. The content of unofficial DoD web sites is not endorsed as the official position of the DoD Component. Content may, but does not normally, include

official news releases, installation history, command position papers, etc. Unofficial DoD web sites may include commercial advertisements and may be used to advertise products for sale, in accordance with the mission of the organization. In most cases, unofficial DoD web sites are developed and maintained by nonappropriated fund instrumentalities (NAFIs). Such NAFIs include military exchanges and MWR activities that use NAF.

E3. ENCLOSURE 3
EXCHANGE RESALE ACTIVITIES

E3.1. GENERAL ACTIVITIES

Exchanges are authorized to operate the following activities:

E3.1.1. Retail stores.

E3.1.2. Mail order catalog services.

E3.1.3. Automobile garages and service stations.

E3.1.4. Restaurants, cafeterias, and snack bars, to include nationally recognized franchised food outlets and membership clubs (i.e., open messes).

E3.1.5. Packaged beverage stores.

E3.1.6. Barber and beauty shops.

E3.1.7. Flower Shops.

E3.1.8. Laundries, dry cleaning, and pressing.

E3.1.9. Tailor shops.

E3.1.10. Watch repair shops.

E3.1.11. Radio, television, computer, and electronic repair shops.

E3.1.12. Shoe repair shops.

E3.1.13. Photographic studios.

E3.1.14. Vending and amusement machines.

E3.1.15. Guest and hostess houses.

E3.1.16. Taxicab and bus services.

E3.1.17. Personal services.

E3.1.18. Newsstands.

E3.1.19. Pay telephone stations, telephone calling centers, and personal telecommunication services.

E3.1.20. Recreational, social, and family support activities.

E3.1.21. Military Clothing Sales Operations.

E3.1.22. School Lunch Programs.

E3.1.23. Credit Programs.

E3.1.24. Tax Preparation Services.

E3.1.25. Exchange Marts.

E3.1.26. Cable Television Services.

E3.1.27. The Secretaries of the Military Departments may prescribe in their regulations a selection of food and beverages including malt beverages, wines, and other alcoholic beverages. Those items shall supplement the primary full-line grocery service provided by the commissary system.

E3.2. STOCKAGE AND SALE OF ITEMS

The Secretaries of the Military Departments or their designees shall determine items to be stocked or sold outside CONUS.

E3.3. AUTHORIZED ACTIVITIES WITH SPECIAL REQUIREMENTS

E3.3.1. Fresh Meat and Produce Departments. The Secretary of the Military Department concerned may specifically authorize the sale of fresh meat, fresh poultry, fresh seafood, fresh fruit, and produce when no commissary store is available on the installation; fresh meat and produce is not available within a reasonable distance at a reasonable price, or in satisfactory quality and quantity. Other necessary grocery items may be sold without limitation in the number of items or container size.

E3.3.2. Mini-storage Facilities. Proposals for individual activities must be submitted 60 days in advance to the PDUSD(P&R) for Congressional notification prior to approval.

E3.3.3. Medical and Dental Concessions Including Pharmacies. Proposals for individual activities must be submitted 60 days in advance to the PDUSD(P&R) for Congressional notification prior to approval.

E3.3.4. Magazines and periodicals are authorized exchange sale items. DoD Instruction 4105.70 (reference (1)) governs the sale or rental of sexually explicit material on DoD property.

E3.3.5. Firearms and ammunition are authorized exchange sale items. Firearms shall be sold in compliance with Federal laws and regulations. Overseas activities shall conform to all applicable Status of Forces Agreements (SOFA) requirements, as well as any requirements imposed by bilateral agreements between the United States and the host nation.

E3.3.6. Name-Brand Fast-Food Operations. When establishing name-brand fast-food operations, concession operations are preferred for military bases in the United States, and exchange direct-run operations are the preferred methods for bases overseas. Both economic and non-economic factors will be evaluated to decide upon the method of operation that best meets the exchange mission for each location. In addition the following factors will be considered in the aggregate: financial risk, customer service, employment opportunities, management control, operational risk, and investment opportunities. Primary consideration will be given to the overall quality of life and welfare of the active duty community. Notice of deviations from the preferred method that results in major construction projects as defined in DoD Instruction 7700.18 (reference (m)) shall accompany the major construction program submitted to the PDUSD(P&R). Such notice shall include the evaluation of economic and non-economic factors.

E3.3.7. Only Armed Services exchanges are permitted to sell, publicize, or display new or factory certified cars or motorcycles on DoD installations outside the United States. Exchanges may sell automobiles and motorcycles only to authorized patrons who are stationed or are assigned outside the United States for 30 consecutive days or more. Orders may be taken for U.S.-made automobiles; foreign name-plated vehicles with at least 75 percent U.S. or Canadian content, and motorcycles. Sales may be made for in-country delivery where permitted under status of forces agreement or for stateside delivery.

E4. ENCLOSURE 4

MERCHANDISE RESTRICTIONS

E4.1.1. Exchanges in CONUS may not sell projection televisions and televisions with a cost to the exchange of more than \$3,500.

E4.1.2. Exchanges in CONUS may not sell diamond settings with individual stones that exceed one carat.

E4.1.3. Exchanges in CONUS may not sell jewelry other than diamond jewelry with a per-unit cost to the exchange in excess of the cost price of 2 ounces of gold.

E4.1.4. Exchanges in CONUS may not sell finished furniture with a per-unit (piece) cost to the exchange in excess of \$900. In addition, exchanges may not undertake new capital construction or renovation of an exchange facility of any kind for the purpose, in whole or in part, of providing additional space in which to sell finished furniture. Further, at any new installation/location at which the exchange service proposes to sell finished furniture, the exchange manager or installation commander shall consult in advance with local furniture merchants and the exchange service will advise the Office of the Principal Deputy Under Secretary of Defense for Personnel and Readiness (OPDUSD(P&R)) of the proposal and any local merchant objections to exchange sales of finished furniture. Such notice to the OPDUSD(P&R) shall be made 60 days in advance of offering finished furniture at any new location so the OPDUSD(P&R) can notify the Congressional Committees on Armed Services in advance.

E4.1.5. Exchanges in CONUS may not sell decorative housewares and furnishings with a per-unit (piece) cost to the exchange in excess of \$500.

E4.1.6. Exchanges in CONUS may not sell small appliances with a per unit (piece) cost to the exchange in excess of \$150 except that there is no cost limitation on floor polishers, food processors, fans, coffee makers, humidifiers, dehumidifiers, air purifiers, microwave ovens, refrigerators, rotisseries, roasters, broilers, and vacuum cleaners.

E4.1.7. Exchanges in CONUS may not sell recreational boats with a per unit cost to the exchange in excess of \$750.

E4.1.8. Exchanges in CONUS may not sell sports equipment and supplies, recreational, garden, and manual arts equipment and supplies; or photographic supplies

and film with a per-unit cost to the exchange in excess of \$500. There is no cost limitation on aquatic equipment, bicycles, cameras and projectors, camera and projector accessories, fishing equipment, golf club sets, guns and gun accessories, physical fitness exercise equipment, power tools, outdoor power equipment including lawn mowers, edgers and snow blowers, ski equipment, surfboards, and tents.

E5. ENCLOSURE 5
ALCOHOLIC BEVERAGES OPERATIONS

E5.1. APPLICABILITY AND AUTHORITY

This section applies to the sale of alcoholic beverages in the exchange systems.

E5.2. RESPONSIBLE USE OF ALCOHOL

The Military Departments shall establish programs, policies, and procedures consistent with DoD Directive 1010.4 (reference (n)) to deglamorize the use of alcohol and to discourage and treat its irresponsible use.

E5.3. ALCOHOLIC BEVERAGE LABELING

The provisions of the Alcoholic Beverage Labeling Act of 1988, sections 213 et seq. of title 27, U.S.C (reference (o)) shall apply to all alcoholic beverages sold in exchanges activities overseas. This includes the requirement that alcoholic beverages purchased off shore carry labels as required of U.S.-procured products.

E5.4. ESTABLISHMENT AND CONTINUATION OF EXCHANGE PACKAGE STORES IN THE UNITED STATES

In the United States and Puerto Rico, the Secretary of the Military Department may approve the sale of packaged alcoholic beverages with alcohol content of more than 7 percent by volume.

E5.4.1. Establishment. Before authorizing the establishment of a package store, the Military Department Secretary will consider the following pertinent factors:

E5.4.1.1. Estimated number of authorized patrons per outlet if granted.

E5.4.1.2. Importance of estimated contributions of package store profits to providing, maintaining, and operating military MWR activities.

E5.4.1.3. Availability of wholesome family social clubs to military personnel in the local civilian community.

E5.4.1.4. If on a National Guard installation, coordination with the State Adjutant General.

E5.4.1.5. Geographical inconveniences.

E5.4.1.6. Limitations of nonmilitary sources.

E5.4.1.7. Disciplinary and control problems due to restrictions imposed by local law and regulations.

E5.4.1.8. Highway safety.

E5.4.1.9. Location and distance of nearest military package store and reasons that the use of this facility is not feasible.

E5.4.1.10. A digest of the attitudes of community authorities or civic organizations toward establishment of a package sales outlet. The community authorities and civic organizations, including the circumstances of the contacts and the dates on which they occurred. This digest should consist of a summary of any written comments received from individuals and agents such as local mayors, heads of prominent civic groups or Chambers of Commerce, State legislators, Members of the Congress, or other government officials. Speculative assessments of prospective community attitudes shall not satisfy this requirement. The use of available command channels is encouraged.

E5.4.2. An information copy of this review shall be submitted to the PDUSD(P&R) for each action approving the establishment of sales outlets for packaged alcoholic beverages, including the determinations and findings made in accordance with the criteria as stated above. The notification shall be submitted to the PDUSD(P&R) 60 days prior to the establishment to provide for advance notification to the Congress.

E5.4.3. Triennial Review. The Secretary of the Military Department shall conduct a triennial review of each package store in the United States to determine the need for its continued operation. The evaluation shall consider the factors required to establish a package store, except subparagraph E5.4.1.10., above.

E5.5. ESTABLISHMENT OF EXCHANGE PACKAGE STORES OVERSEAS

In overseas areas, the sale of packaged alcoholic beverages with an alcoholic content of more than 7 percent by volume may be approved by the exchange service

Commander/CEO provided such sales do not contradict treaties, SOFA, and local governmental agreements.

E5.6. NONALCOHOLIC AND ALCOHOLIC-TYPE BEVERAGES

Nonalcoholic, alcoholic beverage substitute package sales will be carried only in exchange facilities. Due to the disparity in State laws on the classification of "nonalcoholic," these products will be sold only to those customers authorized to purchase alcoholic beverages.

E5.7. PACKAGE STORE OPERATIONS

Where a package store operation is authorized for an installation, exchange systems may operate in an independent facility; or, merge the alcoholic beverage operations with other exchange activities provided the installation commander concurs, the stock and displays are segregated, and all inventory controls, ration controls, signage, etc., required for alcoholic beverages are in effect.

E5.8. PURCHASE OF ALCOHOLIC BEVERAGES FOR RESALE

Alcoholic beverage purchases by the exchange service for resale shall be made from the most competitive source and distributed in the most economical manner, price, and all other matters considered. The determination of the most economical method of distributing distilled spirits to stores shall consider all components of distribution costs incurred in distributing beverages to the stores including all management, logistics, administration, depreciation, utilities, inventory carrying, handling, and distribution costs. In non-contiguous States, alcoholic beverages shall be purchased and delivery accepted from a source within the State in which the military installation is located.

E5.8.1. Malt beverages and wine shall be purchased, and delivery accepted from, a source within the State in which the military installation is located. If an installation is located in more than one State, then the source may be in any State in which the installation is located.

E5.8.2. State and Local Government. The Department of Defense resale activities are not subject to State and local laws, regulations, control, or taxation. It is DoD policy to cooperate with State and local officials to the degree that their duties relate to the provisions of this Instruction. The factors to be considered in sections E5.4., and E5.9., shall not be construed as meaning any submission to State control, nor shall

cooperation be construed or represented as an admission of any legal obligation to submit to State control, pay State or local taxes, or purchase distilled spirits within geographical boundaries or at prices or from suppliers prescribed by any State.

E5.9. POSSESSION

Packaged alcoholic beverage sales outlets are operated solely for the benefit of authorized customers. Authorized purchasers shall not sell, exchange, or otherwise divert packaged alcoholic beverages to unauthorized personnel.

E5.10. OVERSEAS WINE SALES

In accordance with 10 U.S.C. 2489 (reference p)), Armed Services exchanges outside the United States engaged principally in selling alcoholic beverages will, in general, give equitable treatment to American produced wines, in terms of selection, distribution, and price, when compared with wines produced by the host nation. The exchange service shall:

E5.10.1. Work with U.S. wine producers to assist and facilitate the supply and marketing of U.S.-produced wines in package stores outside the United States. Each package store shall separately and/or prominently identify or display U.S.-produced wines.

E5.10.2. Carry a representative number of American wines in each category and price level that compares with the selection of host-nation wines.

E5.10.3. Ensure that the percentage of markup on host-country wines shall be equal to or more than the percentage of markup on American-produced wines.

E5.10.4. If there is conflict between this policy and a SOFA or other country-to-country agreements, the latter shall prevail.

E5.11. IN-HOUSE PROMOTIONS OF ALCOHOLIC BEVERAGE SALES

Coupons, bag stuffers, free samples, or any other media used to promote or advertise the sale or consumption of specific brands of alcoholic beverage are not authorized. Examples include, but are not limited to, cents-off coupons, chit books, courtesy cards, slips, coupons books, and product samples designed to reduce the normal retail sales price charged by package beverage stores as established above. This does not preclude conducting on-premise beverage tasting.

E5.12. COMMERCIAL PROMOTIONS OF ALCOHOLIC BEVERAGE SALES

Exchange systems are not authorized to participate in any type of alcoholic beverage promotions sponsored by commercial enterprises that are directed or targeted primarily or exclusively at the military community (that is, patronage as defined in enclosure 6). Examples of promotions include, but are not limited to, sweepstakes, lucky number events, bottle-top redemption, premiums, discount coupons, or providing sample products. This does not preclude conducting on-premise beverage tasting. Package beverage stores may participate in promotions available to the general public at large.

E6. ENCLOSURE 6
AUTHORIZED PATRONS

E6.1.1. Unlimited Exchange Privileges in the United States, and all Commonwealths, Possessions, and Territories of the United States (except as noted). The following table lists the individuals, organizations, and activities entitled to unlimited exchange service benefits:

Table E6.T1. Unlimited Exchange Privileges

CATEGORY	STATUS
1. Uniformed or Retired Uniformed Personnel, either on Active Duty or serving in any category of the Reserve component	<p>All members of the Army, the Air Force, the Navy, the Marines, the Coast Guard, commissioned officers of the National Oceanic and Atmospheric Administration, and its predecessors, and commissioned officers of the Public Health Service.</p> <ul style="list-style-type: none"> • Former members of the Lighthouse Services; personnel of the Emergency Officer's Retired List of the Army, the Navy, the Air Force, and the Marine Corps; and members or former members of Reserve components who, but for age, would be eligible for retired pay. • Enlisted personnel transferred to the Fleet Reserve of the Navy and Fleet Marine Corps Reserve after 16 or more years or active military service. (These personnel are equivalent to Army and Air Force retired enlisted personnel.)
2. Recipients of the Congressional Medal of Honor	<ul style="list-style-type: none"> • All.
3. Honorably Discharged Veterans	<ul style="list-style-type: none"> • When: (a) classified by the VA as being 100-percent disabled or (b) when hospitalized where exchange facilities are available.
4. Military Members of Foreign Nations	<ul style="list-style-type: none"> • Active duty officers and enlisted personnel of foreign nations when on duty with the U.S. Military Services under competent orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. Service regulations will govern the sale of uniform items. • Excluded are officers and enlisted personnel of foreign nations, retired or on leave in the United States, or when attending U.S. schools, but not under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. • Overseas, when determined by the major overseas commander that the granting of such privileges is in the best interests of the United States and such persons are connected with, or their activities are related to, the performance of functions of the U.S. Military Establishment.

Table E6.T1. Unlimited Exchange Privileges, continued

CATEGORY	STATUS
5. National Guard not in Federal service	<ul style="list-style-type: none"> Members not in Federal service, when called or ordered to duty in response to a federally declared disaster shall be permitted to use exchange facilities during the period of such duty, on the same basis as active duty members of the Armed Forces.
6. Red Cross Personnel	Personnel who are U.S. citizens and assigned to duty outside of the United States and Puerto Rico with an activity of the Military Service.
7. U.S. Civilian DoD Employees	<ul style="list-style-type: none"> When stationed outside of the United States.
8. U.S. Citizen Employees of Firms under Contract to the Department of Defense	<ul style="list-style-type: none"> When employed outside of the United States.
9. Transition Personnel	Members of the Armed Forces who are involuntarily separated from active duty between October 1, 1990, and December 31, 2001, for 2 years after separation.
10. Retired ships' officers and crew members of NOAA	<ul style="list-style-type: none"> Includes only noncommissioned ships officers or crew members who were on active duty as a vessel employee on July 19, 1963, and whose employment as such vessel employee was continuous from that date until the date of retirement, or who had retired as a vessel employee on or before July 19, 1963, pursuant to section 857-4 and 857-5 of title 33 U.S.C. (reference (s)).
11. Family Members of Personnel in Categories 1 through 10, above	As defined in enclosure 2.
12. Contract Surgeons	<ul style="list-style-type: none"> During the period of their contract with The Surgeon General.
13. Official DoD Activities	<ul style="list-style-type: none"> All purchases authorized for Government-wide purchase card use. All other purchases based on sole-source justification. All purchases authorized by 10 U.S.C. 2482 (reference (q)).
14. Non-DoD Federal Departments/Agencies	<ul style="list-style-type: none"> When it is determined by the local commanding officer that the desired supplies or services cannot be conveniently obtained elsewhere and can be furnished without unduly impairing service to exchange patrons. All purchases authorized by reference (q).
15. Dependents of members of the Armed Forces, Commissioned Officers of the Public Health Service, and Commissioned Officers of the National Oceanic and Atmospheric Association, separated for Dependent Abuse	<ul style="list-style-type: none"> A dependent or former dependent entitled to transition compensation under 10 U.S.C. 1059 (reference (r)), if not eligible under another provision of law, while receiving payments for transition compensation.

Table E6.T1. Unlimited Exchange Privileges,continued

CATEGORY	STATUS
16. United Service Organizations (USO)	<ul style="list-style-type: none"> • USO clubs and agencies may purchase subsistence supplies for use in the club snack bars, which support active duty military members and their families. • USO personnel stationed outside the United States. • In overseas areas, Commanders may extend privileges to USO area executives, executive directors, assistant executive directors who are U.S. citizens when it is in the capability of the exchanges and does not impair the military mission.
17. Agent	<ul style="list-style-type: none"> • A person authorized in writing by the base commanding officer to shop for an authorized patron or an official organization or activity entitled to unlimited privileges. • Agents are not authorized to shop for themselves.
18. Delayed Entry Program	<ul style="list-style-type: none"> • Authorized to use exchange facilities during interim period before entry on active duty on the same basis as Ready Reserve.

E6.1.2. Limited Exchange Privileges in the United States and all Commonwealths, Possessions, and Territories of the United States (except as noted). The following table lists the individuals, organizations, and activities entitled to limited exchange service benefits. Limited exchange privileges generally exclude tobacco products, alcoholic beverages, and military uniforms.

Table E6.T2. Limited Exchange Privileges

CATEGORY	STATUS
1. U.S Government Civilian Employees and Full-Time Paid Staff of the Red Cross	<ul style="list-style-type: none"> • Who reside on military installations within the United States and Puerto Rico. • No uniform items. • No State tax-free tobacco items. • Tax-free alcohol beverages can be purchased, but not removed from the installation.
2. Armed Forces Exchange Employees	<ul style="list-style-type: none"> • Current employees, retired employees with 20 or more years of service, and employees on 100-percent disability retirement from the Armed Services exchanges are entitled to all privileges of the exchange system where they are employed. • No uniform items. • No State tax-free tobacco items. • No tax-free alcohol beverages. • Unlimited privileges overseas, except for uniform items. • Overseas sales to exchange employees must not violate SOFA or international agreements.
3. DoD Civilian Employees on Evacuation Orders	<ul style="list-style-type: none"> • Employees who are directly affected by an emergency evacuation are authorized to use the Armed Services exchange services at their safe-haven location as determined by the pertinent installation commander in the United States for the duration of the evacuation period.

Table E6.T2. Limited Exchange Privileges, continued

CATEGORY	STATUS
4. Ships' officers and crew members of NOAA	<ul style="list-style-type: none"> • No uniform items • No State-tax-free tobacco items • No tax-free alcohol beverages
5. Family Members of Personnel in Categories 1 through 4, above	<ul style="list-style-type: none"> • As defined in enclosure 2.
6. DoD Civilian Employees in Temporary Duty (TDY) status for the following:	<ul style="list-style-type: none"> • In the United States, when occupying Government quarters on military installations, and identified by copies of their TDY orders and on-base billeting authorization. • Outside of the United States when identified by copies of their TDY orders. • No uniform items. • No State tax-free tobacco items. • No tax-free alcohol beverages.
7. Civilian Employees of the U.S. Government working on, but residing off, Military Installations	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
8. Uniformed and Non-uniformed Personnel working in recognized welfare service organization offices within an Activity of the Military Service	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
9. Visitors to Military Installations	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
10. Contract Technical Services Personnel in travel status; Army, Navy, and Air Force Academy Applicants	<ul style="list-style-type: none"> • When occupying Government quarters on a military installation. • No uniform items. • No State tax-free tobacco items. • No tax-free alcohol beverages.
11. Foreign National Active Duty Officer and Enlisted Members, when visiting U.S. Military Installation on unofficial business	<ul style="list-style-type: none"> • Entitled to all exchange privileges, except that merchandise sold to such personnel will be restricted to quantities required for their personal use. • Service regulations will govern the sale of uniform items.
12. Service Members of the Civil Air Patrol in a travel status and occupying Government quarters on a DoD Installation	<ul style="list-style-type: none"> • For purchases other than uniforms, they will be identified with their current membership card, their travel authorization, and evidence they are occupying Government quarters on the installation. • Purchases of uniforms, when Civil Air Patrol membership card is shown. • No State tax-free tobacco items. • No tax-free alcohol beverages.
13. Civil Air Patrol Cadets	<ul style="list-style-type: none"> • Purchases of uniforms, when Civil Air Patrol membership card is shown. • All food and beverage sold at any exchange food activity, if consumed on post.

Table E6.T2. Limited Exchange Privileges, continued

CATEGORY	STATUS
14. Members of the Reserve Officers Training Corps and Junior Reserve Officers Training Corps	<ul style="list-style-type: none"> • When visiting installations under orders as part of a Service orientation program. • No State tax-free tobacco items. • No tax-free alcohol beverages.
15. Members of the Naval Sea Cadet Corps	<ul style="list-style-type: none"> • On 2-week summer training duty, if occupying Government quarters on a military installation. • No distinctive uniform items. • No State tax-free tobacco items. • No tax-free alcohol beverages.
16. Coast Guard Auxiliary Members	<ul style="list-style-type: none"> • When identified by the Coast Guard Auxiliary ID Card, CG-2650. • Uniform articles and accessories authorized by Coast Guard auxiliary directives.
17. Civilian Students and Faculty Members at Service Schools	<ul style="list-style-type: none"> • Books, supplies, and materials related to the educational process, only at exchange facilities that support the school.
18. Hardship	<ul style="list-style-type: none"> • Exchange employees may sell to otherwise unauthorized persons "stranded on an installation," small quantities of gasoline, oil, other automotive items, or items necessary for an individual's health.
19. DoD Civilian Employees using Government-authorized vehicles for official business	<ul style="list-style-type: none"> • Gasoline for use in vehicles, upon presentation of military travel orders that authorized leasing or use of Government vehicle.

E7. ENCLOSURE 7

POSITIVE IDENTIFICATION PROCEDURES

E7.1. POSITIVE IDENTIFICATION REQUIRED

Any individual seeking to make a purchase from an exchange shall be identified as an authorized patron before consummating a sale. Sales shall be made only to authorized patrons.

E7.2. TYPES OF IDENTIFICATION REQUIRED

Authorized patrons of exchanges shall be identified by the complete regulation U.S. military uniform, by an official Uniformed Services Identification Card (DD Form 2, DD Form 1173, DD Form 1173-1, DD Form 2750, DD Form 2764, DD Form 2765, and the DoD Common Access Card), by the Armed Forces Exchange Service Identification Privilege Card (DD Form 2574), or by an official identification card issued by the Military Service of which the patron is affiliated. Specific information regarding the Armed Services Identification Card (DD Form 2, DD Form 1173, DD Form 1173-1, DD Form 2750, DD Form 2764, DD Form 2765, and DoD Common Access Card) is contained in DoD Instruction 1000.13, "Identification (ID) Cards for Members of the Uniformed Services, Their Dependents, and Other Eligible Individuals" (reference (w)). The Defense Enrollment Eligibility Reporting System (DEERS) may be used to verify authorized Armed Services exchange catalog customers.

E7.3. ARMED FORCES EXCHANGE SERVICE IDENTIFICATION AND PRIVILEGE CARD (DD FORM 2574)

The Armed Forces Exchange Service Identification Card, DD Form 2574 (figure E7.F1., below), may only be issued to authorized patrons of exchanges who do not otherwise require the Armed Service Identification Card for benefit or identification purposes.

E7.4. PATRONS OF FOUNTAIN, SNACK BAR, AND RESTAURANT FACILITIES

Identification cards are not required of personnel who are authorized only to patronize fountain, snack bar, and restaurant facilities.

Figure E7.F1. Armed Forces Exchange Identification and Privilege Card, DD Form 2574

PHOTOGRAPH 1" X 1-1/4"	CARD NUMBER		ISSUE DATE (YYYYMMDD)		EXPIRATION DATE (YYYYMMDD)		
	ISSUED TO (Name and Grade)						
	BIRTH DATE (YYYYMMDD)		SOCIAL SECURITY NUMBER				
	AUTHORIZED PATRONAGE LIMITED EXCHANGE THEATER						
COLOR EYES		COLOR HAIR		HEIGHT		WEIGHT	
DD FORM 2574, MAR 2000 Previous edition may be used.							
SIGNATURE (Signature)		LEGAL STATUS: The holder of this card is an authorized person of the Military Exchange Services and issuance of the card is in accordance with provisions of DoD Directive 1330.9 (Armed Services Exchange Regulations).					
		PLACE OF ISSUE					
		NAME AND GRADE (Typed or Stamped)					
		WARNING: Issued for official use of the holder designated herein. Use or possession subject to control in forward and will make the offender liable to heavy penalty (18 U.S.C. 499, 504, 791 and 1059).					
IF FOUND DROP IN ANY MAIL BOX POSTMASTER: RETURN TO: HQ AAFES-AD DALLAS, TX 75286-0202		ARMED FORCES EXCHANGE SERVICES IDENTIFICATION AND PRIVILEGE CARD					
DD FORM 2574 (BACK), MAR 2000							

E8. ENCLOSURE 8

EXCHANGE OPERATIONS ON CLOSED INSTALLATIONS

E8.1. REALIGNMENT AND CLOSURE

Military realignment and installation closure costs that adversely impact exchange earnings are authorized appropriated funding. Where permitted by law, this includes all Base Realignment and Closure (BRAC) accounts.

E8.2. BRAC FUNDING

Exchange service programs may receive BRAC funding for expenses affecting personnel (civilian severance, civilian PCS, outplacement, transportation of things, etc.) to the extent authorized by (reference (e)). Exchanges may also receive funding from the Reserve Account when NAF facilities are transferred in connection with the closure or realignment of a military installation up to the depreciated value of the investment.

E8.3. PROPERTY

Exchange service NAF personal property belongs collectively to the Service members and is not considered Government APF property. At BRAC locations, this NAF property may be removed or sold to the local redevelopment authority for fair market value at the exchange service's discretion. Every effort should be made to ensure that the local redevelopment authority is aware of this difference.

E8.4. EXCHANGE OPERATIONS ON CLOSED INSTALLATIONS

Exchange operations may be provided to patrons in the immediate area of closed installations in the United States, its territories and possessions under specific criteria.

E8.4.1. Exchange operations are authorized on closed installations based on either Reserve component or active duty patron bases remaining on the closed installation, or in the immediate vicinity.

E8.4.2. Main exchange and other major exchange operations on closed installations shall be endorsed by the Military Department and approved by the PDUSD(P&R). The exchange Service Commander shall approve troop stores, concessions, food, and

shopette-type operations on closed installations after final determination from the Military Department.

E8.4.3. The general criteria for continuation of exchange operations on closed installations in the United States are:

E8.4.3.1. The needs and welfare of the remaining active duty military community shall be given primary consideration.

E8.4.3.2. The installation no longer has a full-time active duty mission, but active duty Uniformed Service personnel remain on the former installation or in the immediate area. This includes the actual installation and Government-owned or contracted housing.

E8.4.3.3. The Military Department shall validate the number of active duty who will be stationed on and in the immediate area of the closed installation after the installation is closed. Active duty are Uniformed Service personnel with DD Form 2 (Active) identification cards.

E8.4.3.4. Where feasible, as determined by the Military Department, the exchange operations shall complement the local community reuse plan and have written local community support from the local government(s) in the immediate area surrounding the closed installation.

E8.4.3.5. The closed installation shall be over 20 miles from another active installation or a Government-owned or contracted housing area authorized exchange support. If the active installation is fewer than 20 miles from the closed installation, the active installation's exchange shall be able to accommodate the additional patron migration.

E8.4.3.5.1. Requirements for facilities and programs shall consider that all authorized patrons (including Reserve components and retirees) may continue to use the exchange programs.

E8.4.3.5.2. New construction or expansion of an existing facility on a closed installation should not be required. This does not preclude renovations, maintenance and repair, and minor construction on existing facilities when justified. Exceptions to allow major construction shall be approved by the PDUSD(P&R) and forwarded to the Congress for approval, as required.

E8.4.4. In addition to the foregoing criteria, the PDUSD(P&R) shall approve main exchanges and other exchange operations for closed and realigned installations with a predominant Reserve Force, based on the following specific criteria:

E8.4.4.1. Provide an otherwise unavailable benefit to a substantial number of authorized patrons remaining in the area.

E8.4.4.2. Require no appropriated funds. Exchanges are authorized to receive support for common services normally provided, such as policy and fire protection if the host incurs no additional cost as a result of the tenant exchange on the installation.

E8.4.4.3. Complement the local community reuse plan and have local community support.

E8.4.4.4. Require a Reserve Force as part of the patron complement, based on the Reserves' entitlement to full exchange privileges.

E8.4.4.5. Not require new construction or expansion of an existing building. Renovations and minor construction on existing buildings are allowable, when justified.

E8.4.5. All exchange operations shall undergo a 1-year test period to establish profitability. For operations that are not profitable, the exchange service shall take action to achieve profitability. Any operation with a loss for any 2-consecutive years or with a loss for 2 out of 3 years shall close.

E8.5. COMBINED COMMISSARY AND EXCHANGE STORES

Before evaluating a combined store, the Military Department(s) concerned shall determine if a "limited commissary benefit" will be supported at the location. A "limited commissary benefit" is defined as grocery (edible) food items sold at cost plus 5 percent to authorized exchange patrons. Where the Military Department(s) supports a "limited commissary benefit" (including the associated appropriated fund costs) and an exchange and commissary already operate at the location, an exchange-operated combined commissary and exchange store shall be evaluated by the Armed Service Exchange that operates at the location.

E8.5.1. A recommendation to create a combined store shall be based on the following criteria:

E8.5.1.1. Active duty personnel remain on the installation or in the immediate area.

E8.5.1.2. The closest installation with an active duty mission, or a Federal Government-owned or contracted housing area that has commissary and exchange support is a one-way distance of at least 20 miles. If the one-way distance is fewer than 20 miles, and the commissary and exchange are able to accommodate the additional patron migration, a combined store shall not be considered.

E8.5.1.3. In the case of a closed installation:

E8.5.1.3.1. Where feasible, as determined by the Military Department concerned, the combined store must complement the local reuse plan and have written support from the local government(s) immediately surrounding the closed installation.

E8.5.1.3.2. Space must be available in an existing facility. New construction or expansion of an existing facility on a closed installation should not be required. Renovations, maintenance and repair, and minor construction on existing facilities are allowable, when justified. Exceptions to allow major construction shall be approved by the PDUSD(P&R).

E8.5.1.3.3. Requirements for facilities and programs shall consider that all authorized patrons (including Reservists and retirees) may continue to use MWR and resale programs.

E8.5.1.4. The number of combined stores in the United States shall not exceed ten.

E8.5.1.5. Only an Armed Service Exchange may operate a combined store.

E8.5.1.6. Edible groceries shall be sold at cost plus 5 percent.

E8.5.1.7. The combined store shall be economically viable and shall not negatively impact MWR dividends, after authorized appropriated funding is provided, as discussed below.

E8.5.1.7.1. The cost for the combined grocery store operation must yield at least a 10 percent annual saving compared to the cost for the Defense Commissary Agency (DeCA) to operate a downscaled commissary. All operating costs, including facility, equipment and manpower, both one-time and recurring, that are required shall be considered when making this comparison.

E8.5.1.7.2. DeCA and the Military Department(s) shall provide appropriated funding to the Armed Service Exchange for the combined store only if the grocery operation suffers a net loss during the Federal fiscal year, provided that there is an annual loss from all exchange-operated activities at the installation. The annual appropriated fund support shall be limited to 25 percent of the last full fiscal year of DeCA's cost to operate the commissary store at that location. Within the limitations, the amount will be based upon a pro-rata share of:

E8.5.1.7.2.1. Store-specific costs determined by the percentage of store sales associated with edible grocery items; plus,

E8.5.1.7.2.2. "Above the store level" overhead (exclusive of MWR dividends) that shall not exceed 2.5 percent of edible grocery item sales.

E8.5.2. The combined store operation will be reviewed annually to ensure that criteria are still met.

E8.5.3. Based upon the above analysis, the Director of DeCA, following coordination with the Military Department(s) and Armed Service Exchange concerned, provides a recommendation to the Commissary Operating Board (COB) regarding the need to close or to create a combined store. The COB forwards its recommendation to the PDUSD(P&R). A decision to close or create a combined store must be approved by the PDUSD(P&R). The PDUSD(P&R) will notify the Congress 90 days before action is taken.

E8.5.4. If a "limited commissary benefit" is not warranted at the location, then the Armed Service Exchange may elect to sell edible food items at the location, but appropriated fund support designated for commissaries will not be provided to offset the exchange cost to sell edible groceries.

E8.6. REPORTING REQUIREMENTS

The Military Departments, DeCA, and the COB will submit the recommendations, along with the "DoD Commissary Operations Report" (Report Control Symbol DD-FM&P(A)1187) required by DoD Directive 1330.17 (reference (t)), to the PDUSD(P&R) by January 1st of each year.

E9. ENCLOSURE 9

EXCHANGE RESOURCE ELEMENTS AUTHORIZED APPROPRIATED FUND SUPPORT

E9.1. MILITARY PERSONNEL

Active duty military personnel performing executive control and essential command supervision (ECECS) are authorized in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements and to perform managerial functions.

E9.2. CIVILIAN PERSONNEL OFFICE ASSISTANCE OR ADMINISTRATION

May provide technical advice and counsel, and day-to-day personnel administration when no additional incremental appropriated fund costs are incurred.

E9.3. TRAVEL OF PERSONNEL

E9.3.1. Permanent change of station (PCS) relocation of military and appropriated fund civilian personnel assigned on a full-time basis.

E9.3.2. Temporary Duty (TDY and/or TAD) travel for military and APF civilian personnel, and for exchange employees when the Department of Defense directs.

E9.3.3. Use of Government vehicles (owned, leased, or contracted) to assist in ECECS.

E9.4. TRANSPORTATION OF THINGS

E9.4.1. Appropriated fund purchased goods.

E9.4.2. Nonappropriated fund purchased goods:

E9.4.2.1. Transoceanic movement of goods to and from overseas and aerial ports of debarkation to first destination overseas including Alaska and Hawaii.

E9.4.2.2. Movement of U.S. and foreign goods within foreign areas when commercial transportation is not available, combat zones, or otherwise on a reimbursable basis only.

E9.4.2.3. Movement of U.S. goods between DoD installations because of base closures, or to safeguard goods under emergency conditions, such as the threat of hostile force or natural disaster.

E9.4.2.4. Household goods of military personnel and APF civilian personnel.

E9.4.2.5. Household goods of NAF personnel on a reimbursable basis. Initial APF funding is authorized for NAF personnel only when NAF will reimburse (except at BRAC locations that are authorized appropriated funds).

E9.5. UTILITIES (including fuel)

E9.5.1. Outside the continental United States (OCONUS).

E9.5.2. CONUS - Only for exchanges located at installations designated as "remote and isolated" for MWR program purposes.

E9.6. COMMUNICATIONS

E9.6.1. Electronic and communications in support of command management functions, statistical data gathering, and communications with other DoD and Government Agencies. Electronic communication in support of exchange activities overseas, including Alaska and Hawaii.

E9.6.2. Postal services for official communications within and between Government Agencies, persons and private commercial agencies not related to the sale of goods and services.

E9.6.3. Printing and reproduction services excluding those services directly relating to the sale of merchandise or services, and to the internal operation of the exchanges.

E9.7. EQUIPMENT

Equipment required for ECECS, and surplus/excess Government equipment.

E9.8. EQUIPMENT MAINTENANCE

Equipment acquired with NAF, but authorized for purchase with APF where title transfers to the Government.

E9.9. OTHER SERVICES

E9.9.1. Education and training of military and APF personnel. APF may be used to fund NAF employee courses for DoD Component-approved training that is not job unique; examples include, but are not limited to, management and/or leader development courses, quality training, health and safety, sexual harassment, etc.

E9.9.2. Data automation services required for command supervision and responsibility for management review and analysis.

E9.9.3. Financial management services in the form of technical guidance and assistance in preparing budgets, financial, and analytical data required for command supervision and control. Auditing services are authorized in accordance with DoD Instruction 7600.6 (reference (u)).

E9.9.4. Legal services by judge advocate and general counsel legal staff, but not internal NAFI staff.

E9.9.5. Procurement Offices may provide assistance when existing APF contracts may be used to purchase the item or services.

E9.9.6. Common services required protecting the health and safety of participants, employees, and exchange resources. Trash and garbage removal services are not authorized in CONUS.

E9.9.7. Routine grounds maintenance.

E9.10. SUPPLIES

Expendables required for executive control and essential command supervision.

E9.11. OTHER OPERATING EXPENSES

Costs incurred incident to the performance of functions related to ECECS.

E9.12. NON-OPERATING EXPENSES

E9.12.1. Architect and/or engineering services for exchange construction, if no additional manpower authorizations are required, and for APF construction.

E9.12.2. Purchase of real property as approved by the Congress.

E9.12.3. Use of existing facilities.

E9.13. MERCHANDISE FOR RESALE

Military clothing and other APF items sold in military exchanges on a cost-reimbursable basis.

E9.14. CONSTRUCTION

E9.14.1. Community facility construction related to the establishment, activation, or expansion (resulting from a major increase in personnel strength over a short period of time due to mission change or influx of new personnel; e.g., a 25-percent increase in personnel within a 2-year time span satisfies these criteria) of a DoD installation, or relocation of facilities for the convenience of the Government.

E9.14.2. Restoration of facilities destroyed by acts of God, fire, or terrorism.

E9.14.3. To correct life safety deficiencies.

E9.14.4. Exchange facilities in areas of military conflict, or in air terminals, hospitals, housing, or other construction projects.

E9.14.5. Exchange logistical facilities outside the United States including: administration, storage and maintenance, laundry and dry cleaning plants, bakeries, dairies or similar facilities in support of the military mission.

E9.14.6. Replacement of facilities denied by country-to-country agreements.

E9.14.7. Archeological clearance, ammunition clearance, environmental assessment and remediation, and water purification.

E10. ENCLOSURE 10
EXCHANGE ADVERTISING POLICY

E10.1. GENERAL

DoD military exchanges must raise awareness of the quality of life benefit they provide and the availability of goods and services they offer to as many authorized patrons as they can. Such communication shall not reflect unfavorably on the Department of Defense.

E10.2. POLICY

E10.2.1. Military exchanges may pay to advertise goods, services, and entertainment in DoD newspapers (DoD Instruction 5120.4, reference (v)), including installation cable television. The following may be included in the advertisement: brand names, item prices, films, theater admission prices, and names of companies, vendors or distributors in the case of special promotions.

E10.2.2. Military exchanges may pay to advertise their services, products, and events in other than DoD newspapers, provided the chosen media is circulated, written to, and written for authorized exchange patrons. When non-DoD media is used for advertising that may be heard, seen, or read by other than authorized patrons, a disclaimer shall be used similar to: "this offer or event is open only to authorized patrons." (This policy shall not be interpreted to apply to publications distributed to a more general audience.)

E10.2.3. Military exchanges may pay to advertise in appropriate civilian media when holding or participating in special events that are open to the public or private sector (such as Air Shows, Automobile Shows, etc.), subject to the following conditions:

E10.2.3.1. Events shall not directly compete with MWR activities or similar events offered in the local civilian community. Open events shall be coordinated in advance with the local public affairs office.

E10.2.3.2. Open events must be infrequent, not weekly or monthly, and enhance community relations.

E10.2.3.3. Merchandise shall not be advertised; however, event-related goods and souvenirs and food and beverages for on-premises consumption may be sold.

E10.2.3.4. OCONUS advertising shall also conform to existing SOFA regulations, command policy, and local laws.

E10.2.4. Military exchanges may sell advertising in any media (printed, electronic, etc.) produced for or prepared by them and may accept payment for such advertising subject to the following conditions:

E10.2.4.1. Publication of paid commercial advertising by military exchanges is bound by similar standards that apply to civilian enterprise publications.

E10.2.4.2. Acceptance of paid commercial advertising on Armed Forces Radio and Television Service (AFRTS), local commander channels, or any APF electronic media is prohibited.

E10.2.4.3. Advertising in exchange media is based on reaching bona fide users in accordance with established patronage policies.

E10.2.5. Mailings (written or electronic) of announcements promoting exchange products and services are authorized. Mailings to authorized patrons only may contain advertisements of specific commercial products, commodities, or services provided by or for any private individual, firm, or corporation, are permitted only to authorized patrons. The cost of promotional mailings and postage shall be paid with NAF.

E10.2.5.1. Periodic informational mailings to eligible patrons are authorized and may include promotional material.

E10.2.5.2. Routine promotional mailings can be sent only when individuals have consented to such mailings.

E10.2.5.3. A mechanism shall be adopted so those individuals, who had consented to such mailings, could remove their names from the list.

E10.2.6. Military exchanges may contribute articles and stories for publication as unpaid information items in DoD newspapers, plan-of-the-day, AFRTS, and installation cable TV, and other media intended primarily for distribution to authorized patrons.

E10.2.7. Ads, premiums, coupons, samples, and similar promotions (like those used in the commercial sector) may be distributed directly to authorized patrons unless specifically prohibited by DoD policy.

E10.2.8. Military exchanges may establish, operate, and maintain unclassified web sites in accordance with DoD prescribed web site administration policies and procedures for official and unofficial web sites.